

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2006

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INDEPENDENT AUDITOR'S REPORT

The Honorable Board Members
San Juan Transportation Special Service District
Monticello, Utah 84535

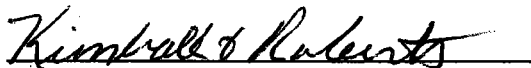
We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of San Juan Transportation Special Service District, a component unit of San Juan County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of San Juan Transportation Special Service District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Governmental activities of San Juan Transportation Special Service District at December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2007, on our consideration of San Juan Transportation Special Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 28 through 29, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 5, 2007
Richfield, Utah

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is used to assist in formatting for easier reading)

San Juan County Transportation Special Service District Management's Discussion and Analysis

The discussion and analysis of San Juan County Transportation Special Service District's ("District") financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. This report is in conjunction with the District's financial statements, which are part of this report.

The District is authorized to construct, repair and maintain certain roads within its boundaries and any other lawful activity allowed by their resolution. The District Administrative Control Board consists of five (5) members, three of whom are appointed by the San Juan County Commission. One is appointed by the City of Monticello and one is appointed by the City of Blanding, each one representing their city.

Funding is provided by the District to the Cities, County and other governmental agencies within its boundaries to construct, repair and maintain roads within their respective areas. The costs of these projects or improvements are recorded on the records of these other entities. The District does not own or have title to any of these projects or improvements.

Financial Highlights:

- The assets of the District exceeded its liabilities at the close of the most recent year by \$3,032,662 (*net assets*). Of this amount, \$2,775,912 (*unrestricted net assets*) may be used to meet the District's ongoing obligations, road construction, repairs and maintenance of certain roads within its boundaries.
- As of the close of the current calendar year, the District's governmental funds reported combined ending fund balances of \$3,330,980, an increase of \$592,678. Of this fund balance \$2,778,002 is available for spending at the District's discretion (*unreserved fund balance*).
- At the end of the current calendar year, unreserved fund balance for the general fund was \$772,494, or 116% of total general fund expenditures.
- The District's total debt decreased by \$73,000 (20%) during the current calendar year. This was due to timely payments of the Series 1995 refunding bonds according to the amortization schedules of the bonds.
- Annually the District makes financial grants to the Cities of Monticello and Blanding as well as San Juan County for the purpose of providing road improvements within their jurisdiction.
- This year the District provided \$200,000 funding to San Juan County for road projects on the County's B Road system. The County provided the machinery and manpower for these projects.

Using This Annual Report

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

San Juan County Transportation Special Service District Management's Discussion and Analysis (Continued)

The *statement of net assets* presents information on all of the District's assets, liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent calendar year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both the government-wide financial statements distinguish functions of the District that are principally supported by assessed fees assessed as taxes and other funds from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District are road construction, repair and maintenance of certain roads within its boundaries.

The government-wide financial statements can be found on pages listed in the table of contents.

Fund financial statements . A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds; the general fund, capital projects fund and debt service fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the calendar year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic financial statements can be found as listed in the table of contents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

San Juan County Transportation Special Service District Management's Discussion and Analysis (Continued)

Reporting the District as a Whole

The District realizes revenues from two sources; 1)State Mineral Lease Payments and 2)Investment earnings.

Condensed Financial Statements:

Assets:	2006	2005	Revenues:	2006	2005
Current	2,778,002	2,212,988	State Mineral Lease	1,212,071	1,142,746
Non-Current	553,610	527,212	Interest Earned	125,320	62,941
Total Assets	3,331,612	2,740,200	Total Revenues	1,337,391	1,205,687
Liabilities:			Expenditures:		
Current	76,090	75,716	Current	18,770	20,236
Long-Term	222,860	296,860	Roads & Highways	653,583	537,806
Total Liabilities	298,950	372,576	Total Expenditures	672,353	558,042
Net Assets:					
Assets net of					
Related debt	(296,228)	(367,962)			
Restricted	552,978	525,314	Change in Net Assets	665,038	647,645
Unrestricted	2,775,912	2,210,272	Beginning Net Assets	2,367,624	1,719,979
Net Assets	3,032,662	2,367,624	Ending Net Assets	3,032,662	2,367,624

Long-Term Debt

At the end of the current year, the District's total bonded debt outstanding was \$369,860. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	Governmental Activities	
	2006	2005
Revenue Bonds	296,860	369,860

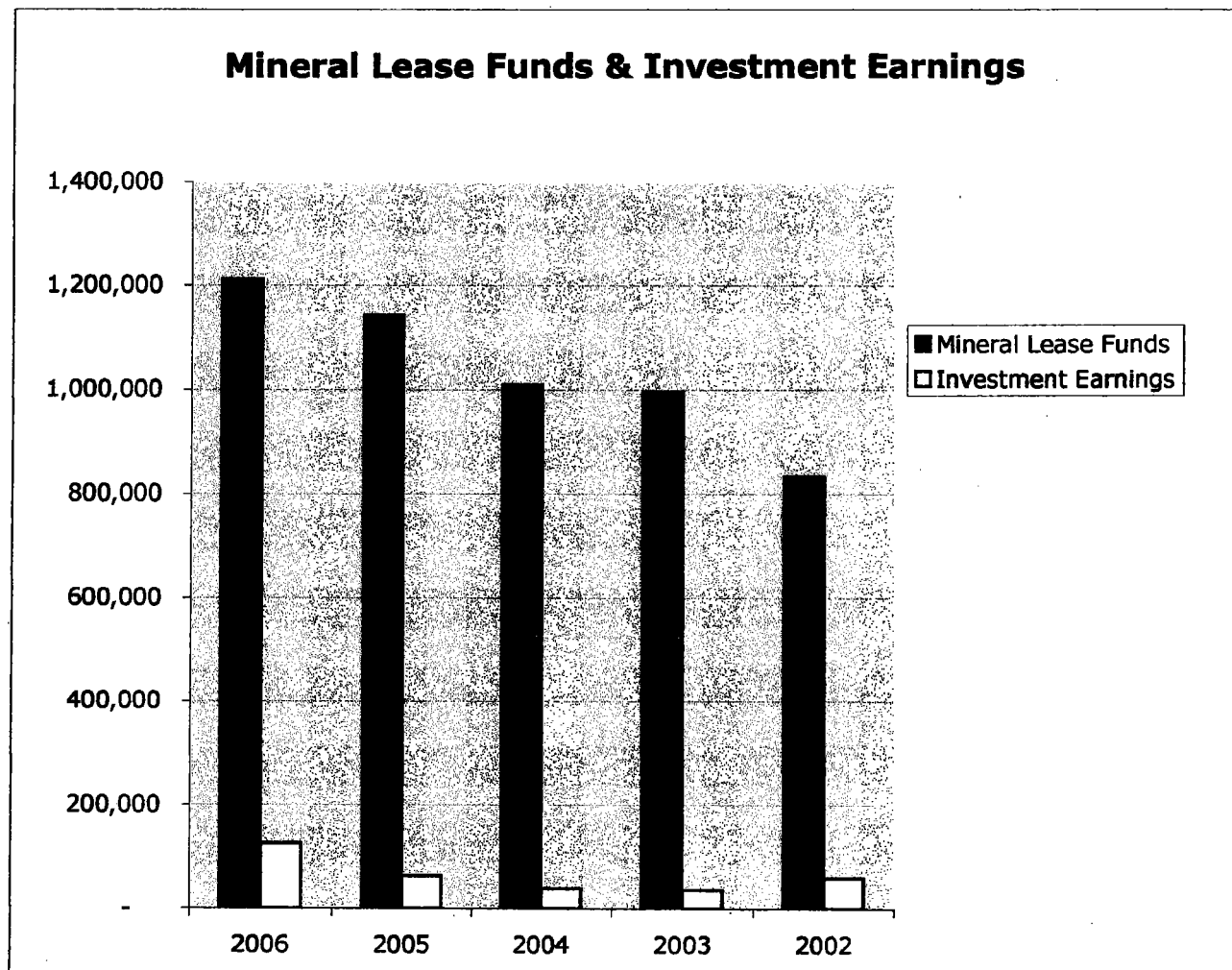
Additional information on San Juan Transportation Special Service District's long-term debt can be found in the notes to the financial statements.

Contacting the District

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Board Manager, Richard M. Bailey, P.O. Box 1073, Monticello, UT 84535-1129.

**San Juan Transportation Special Service District
Revenue - Five Year Comparison**

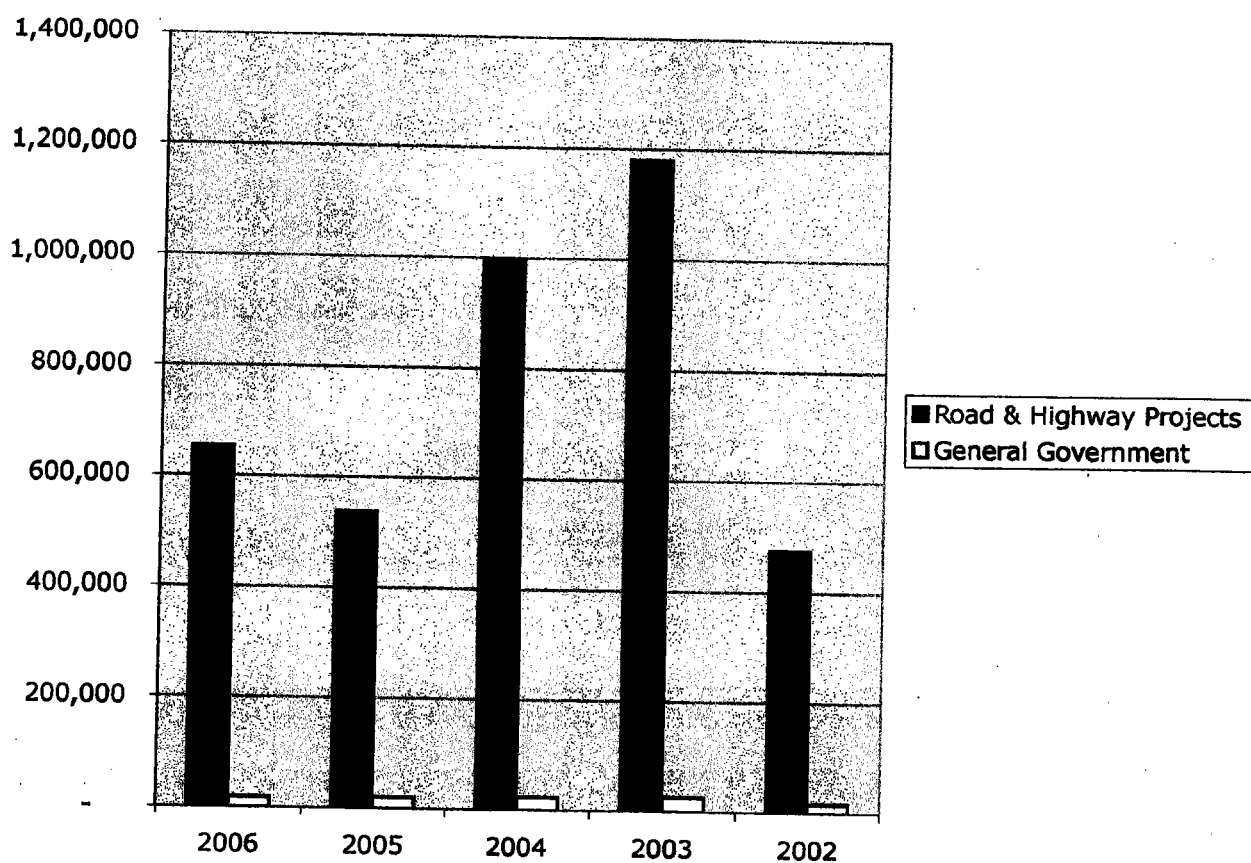
	2006	2005	2004	2003	2002
Mineral Lease Funds	1,212,071	1,142,746	1,009,363	996,165	834,094
Investment Earnings	125,320	62,941	39,616	36,120	58,823
Total	1,337,391	1,205,687	1,048,979	1,032,285	892,917



**San Juan Transportation Special Service District
Expenditures - Five Year Comparison**

	2006	2005	2004	2003	2002
Road & Highway Projects	653,583	537,806	998,919	1,180,000	476,330
General Government	18,770	20,236	24,038	27,567	17,641
Total	672,353	558,042	1,022,957	1,207,567	493,971

**Road & Highway Projects & General
Government Expenditures**



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BASIC FINANCIAL STATEMENTS

**SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
STATEMENT OF NET ASSETS**

December 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	110,013
Investments	2,346,422
Receivables	<u>321,567</u>
Total Current Assets	<u>2,778,002</u>
Noncurrent Assets:	
Restricted Investments	552,978
Capital Assets (Net of Accumulated Depreciation):	
Computer Equipment	<u>632</u>
Total Noncurrent Assets	<u>553,610</u>
TOTAL ASSETS	<u><u>3,331,612</u></u>
LIABILITIES	
Current Liabilities:	
Interest Payable	2,090
Refunding Bonds Payable - Due Within One Year	<u>74,000</u>
Total Current Liabilities	<u>76,090</u>
Noncurrent Liabilities:	
Refunding Bonds Payable - More Than One Year	<u>222,860</u>
Total Noncurrent Liabilities	<u>222,860</u>
TOTAL LIABILITIES	<u>298,950</u>
NET ASSETS	
Investment in Capital Assets, Net of Debt	(296,228)
Restricted For:	
Bond Retirement	552,978
Unrestricted	<u>2,775,912</u>
TOTAL NET ASSETS	<u>3,032,662</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>3,331,612</u></u>

The notes to the financial statements are an integral part of this statement.

**SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2006

		<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>
Functions/Programs:			
Governmental Activities:			
General Government	15,696	-	(15,696)
Roads and Highways	653,583	-	(653,583)
Interest on Long-Term Debt	<u>3,074</u>	<u>-</u>	<u>(3,074)</u>
Governmental Activities	<u>672,353</u>	<u>-</u>	<u>(672,353)</u>
 General Revenues:			
State Resources			1,212,071
Unrestricted Investment Earnings			<u>125,320</u>
Total General Revenues			<u>1,337,391</u>
Changes in Net Assets			665,038
Net Assets - Beginning			<u>2,367,624</u>
Net Assets - Ending			<u><u>3,032,662</u></u>

The notes to the financial statements are an integral part of this statement.

**SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	450,927	-	59,810	510,737
Investments	-	552,978	1,945,698	2,498,676
Accounts Receivable - Mineral Lease	<u>321,567</u>	-	-	<u>321,567</u>
TOTAL ASSETS	<u><u>772,494</u></u>	<u><u>552,978</u></u>	<u><u>2,005,508</u></u>	<u><u>3,330,980</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities:	-	-	-	-
Fund Balances:				
Reserved For:				
Sinking Fund	-	160,104	-	160,104
Reserve Fund	-	392,874	-	392,874
Unreserved	<u>772,494</u>	-	<u>2,005,508</u>	<u>2,778,002</u>
Total Fund Balances	<u><u>772,494</u></u>	<u><u>552,978</u></u>	<u><u>2,005,508</u></u>	<u><u>3,330,980</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>772,494</u></u>	<u><u>552,978</u></u>	<u><u>2,005,508</u></u>	<u><u>3,330,980</u></u>

The notes to the financial statements are an integral part of this statement.

**SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

December 31, 2006

Total Fund Balances - Governmental Fund Types	3,330,980
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Computer Equipment	632
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Refunding Bond Payable	(296,860)	
Bond Interest Payable	<u>(2,090)</u>	

Total		<u>(298,950)</u>
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Net Assets of Government Activities	<u><u>3,032,662</u></u>
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**SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For The Year Ended December 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUE				
State Mineral Lease Payment	1,212,071	-	-	1,212,071
Interest	<u>23,200</u>	<u>27,664</u>	<u>74,456</u>	<u>125,320</u>
TOTAL REVENUES	<u>1,235,271</u>	<u>27,664</u>	<u>74,456</u>	<u>1,337,391</u>
EXPENDITURES				
Current:				
Salaries and Benefits	6,459	-	-	6,459
Dues and Memberships	550	-	-	550
Travel	77	-	-	77
Legal and Accounting	4,950	-	-	4,950
Insurance	1,819	-	-	1,819
Bank Charges	250	-	-	250
Board Members Stipend	225	-	-	225
Postage	50	-	-	50
Telephone	50	-	-	50
Capital Outlay	653,583	-	-	653,583
Debt Service:				
Principal	-	73,000	-	73,000
Interest	<u>-</u>	<u>3,700</u>	<u>-</u>	<u>3,700</u>
TOTAL EXPENDITURES	<u>668,013</u>	<u>76,700</u>	<u>-</u>	<u>744,713</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>567,258</u>	<u>(49,036)</u>	<u>74,456</u>	<u>592,678</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	-	76,700	350,000	426,700
Operating Transfers (Out)	<u>(426,700)</u>	<u>-</u>	<u>-</u>	<u>(426,700)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(426,700)</u>	<u>76,700</u>	<u>350,000</u>	<u>-</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	140,558	27,664	424,456	592,678
FUND BALANCE - BEGINNING	<u>631,936</u>	<u>525,314</u>	<u>1,581,052</u>	<u>2,738,302</u>
FUND BALANCE - END	<u><u>772,494</u></u>	<u><u>552,978</u></u>	<u><u>2,005,508</u></u>	<u><u>3,330,980</u></u>

The notes to the financial statements are an integral part of this statement.

**SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - Total Governmental Funds	592,678
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	(1,266)
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Principal Payments	73,000	
Accrued Interest Payable - December 31, 2005	2,716	
Less Accrued Interest Payable - December 31, 2006	<u>(2,090)</u>	

Total	<u>73,626</u>
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Changes In Net Assets of Governmental Activities	<u><u>665,038</u></u>
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SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The San Juan Transportation Special Service District ("District") was, under the direction of the San Juan County Commission, established by Resolution No. 88-8 on October 26, 1988, under the provisions of the Utah Special Service District Act, Chapter 23, Title 11, Utah Code annotated, 1953 as amended. The District operates under an "Administrative Control Board" which was originally appointed by the San Juan County Board of Commissioners. The purpose of the District is to construct, repair and maintain certain roads within its boundaries.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity:

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity, is made by applying the criteria set forth in GASB Statement No. 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity, is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria the District does not have any component units. However, the District is a component unit of San Juan County. The financial statements of the District are included in the financial statements of San Juan County.

B. Government-Wide and Fund Financial Statements:

The Statement of Net Assets and the Statement of Activities display information about the District, the primary government, as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State revenue sources and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government.

The Debt Service Fund is for servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The Capital Projects Fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables:

All receivables are deemed 100% collectible and, therefore, no allowance for uncollectibles is shown.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Computer Equipment

5 Years

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans subject to change.

E. Budget Process

San Juan Transportation Special Service District has properly adopted required budgets for 2006. Changes to the adopted budget were properly made by resolution and public hearing of the Administrative Control Board. The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. The budget must balance - that is estimated revenues and expenditures must equal.
3. On or before November 1, the District Manager prepares a tentative budget and files it with the Board of Trustees.
4. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
5. Notice of the scheduled public hearing is published at least ten days prior to the meetings.
6. Public hearing are held on the tentatively adopted budget. Members of the public may comment on the budget and recommend changes to the Board of Trustees.

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Compliance

Excess of Expenditures over Appropriations - The Fiscal Procedures Act requires expenditures be restricted to authorized budgets. The statement of revenues, expenditures and changes in fund balance, budget and actual, identifies the accounts which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits:

At year-end, the carrying amount of the Special Service Districts deposits were \$33,163 and the bank balance was \$340,700. Of the bank balance \$100,000 was covered by federal depository insurance. insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

Cash and investments as of December 31, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits	33,163
Investments - PTIF	2,816,145
Kentucky State Turnpike Zero Coupon Bonds	<u>160,105</u>
Total Cash and Investments	<u><u>3,009,413</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	2,456,435
Governmental Activities - Restricted	<u>552,978</u>
Total Cash and Cash Equivalents	<u><u>3,009,413</u></u>

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that District funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, \$240,700 of the local government's bank balances of \$340,700 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The PTIF pool has not been rated.

For the year ended December 31, 2006, the local governments has investments in:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Rating</u>
PTIF	2,816,145	Less Than 1 Year	Not Rated
Zero Coupon Revenue Bond - Kentucky			
State Turnpike - Auth Economic	160,105	01/01/2010	AAA, AAA, AAA

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES AND SINKING FUND

Sinking Fund:

The District's bond requires a sinking fund to be established and quarterly payments of one-fourth of the principal and interest falling due on the bonds on the next succeeding principal payment date be deposited on February 15, May 15, August 15 and November 15 of each year until the bond is retired.

The District has established a sinking fund which has been funded to comply with the bond requirements. Fair value of the sinking fund at December 31, 2006, is \$160,105.

Bond Reserve Fund:

The District is required to establish a "San Juan Transportation Service District Road Improvement Revenue Refunding Reserve Fund" to be known as the "Reserve Fund" and deposit on February 15, May 15, August 15 and November 15 an amount as may be required to ensure that there is on deposit at all times in the Reserve Fund an amount equal to \$76,960.

The Reserve Fund is fully funded by the District. Balance at December 31, 2006, is \$392,873.

The total sinking fund and bond reserve at December 31, 2006, is 552,978.

NOTE 4 - ACCOUNTS RECEIVABLE - MINERAL LEASE FUNDS

The District receives funding from the Mineral Lease Funds. The receivable shown is funds earned in the fourth quarter of 2006 and received in 2007.

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Being Depreciated:				
Computer Equipment	<u>6,330</u>	<u>-</u>	<u>-</u>	<u>6,330</u>
Total Capital Assets Being Depreciated	<u>6,330</u>	<u>-</u>	<u>-</u>	<u>6,330</u>
Less Accumulated Depreciation For:				
Computer Equipment	<u>(4,432)</u>	<u>(1,266)</u>	<u>-</u>	<u>(5,698)</u>
Total Accumulated Depreciation	<u>(4,432)</u>	<u>(1,266)</u>	<u>-</u>	<u>(5,698)</u>
Total Capital Assets Being Depr. (Net)	<u>1,898</u>	<u>(1,266)</u>	<u>-</u>	<u>632</u>
Governmental Activities Capital Assets (Net)	<u>1,898</u>	<u>(1,266)</u>	<u>-</u>	<u>632</u>

Depreciation expense was charged to functions of the Special Service District as follows:

General Government	<u>1,266</u>
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NOTE 6 - LONG-TERM DEBT

Series 1995 Refunding Bonds - Community Impact Board. Total issued \$1,062,000. Interest rate of 1%, payable in amounts varying from \$76,150 to \$76,990. Payments are due on April 1 of each year with a maturity date of April 1, 2010.

This issue of \$1,062,000 is collateralized by the mineral lease income that is passed through the Utah Department of Transportation to the District on a quarterly basis.

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 6 - LONG-TERM DEBT CONTINUED)

The following is a schedule of debt service payments to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	74,000	3,710	77,710
2008	74,000	2,980	76,980
2009	75,000	2,240	77,240
2010	<u>73,860</u>	<u>740</u>	<u>74,600</u>
Total	<u>296,860</u>	<u>9,670</u>	<u>306,530</u>

The following is a statement of changes in Long-Term Debt:

	<u>Balance December 31, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2006</u>
Refunding Bonds Series 1995	<u>369,860</u>	<u>-</u>	<u>73,000</u>	<u>296,860</u>

Interest payable on the above bonds payable at December 31, 2006, was \$2,090.

NOTE 7 - PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the District defeased certain Road Improvement Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. On December 31, 2006, \$1,410,000 of bonds outstanding are considered defeased.

NOTE 8 - ECONOMIC DEPENDENCY

The District receives over 90% of its revenue from mineral lease revenue received from the State of Utah. Such funds are used to cover operations, current construction projects and debt service obligations.

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
Continued

NOTE 9 - TRANSFERS

<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	-	426,700
Capital Projects	350,000	
Debt Service	<u>76,700</u>	<u>-</u>
	<u>426,700</u>	<u>426,700</u>

Transfers were made for the following purposes:

- * The General Fund transferred \$76,700 to the Debt Service Fund for debt service payments.
- * The General Fund transferred \$350,000 to the Capital Projects Fund for planned projects.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured through the Utah Local Governments Trust. The limits of general liability and property damage are \$2,000,000 combined single limit, with a \$0.00 deductible for each occurrence. The District also is insured for Automobile liability for \$2,000,000 combined single limit with a \$0.00 deductible for each occurrence.

Claims have not exceeded premiums in any of the last three calendar years.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Year Ended December 31, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the District's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the District's Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

Current Year Excess of Expenditures over Appropriations:

For the year ended December 31, 2006, spending for all funds and departments of the District was within the approved budgets.

**SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Year Ended December 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Intergovernmental:				
State Mineral Lease	700,000	700,000	1,212,071	512,071
Interest Income	42,500	42,500	23,200	(19,300)
Contributions from Fund Balance	<u>1,150,000</u>	<u>1,150,000</u>	<u>-</u>	<u>(1,150,000)</u>
Total Revenues	<u>1,892,500</u>	<u>1,892,500</u>	<u>1,235,271</u>	<u>(657,229)</u>
Expenditures:				
Administrative Expenses	21,850	21,850	14,430	7,420
Capital Outlay	1,790,650	1,790,650	653,583	1,137,067
Transfers Out	<u>80,000</u>	<u>80,000</u>	<u>426,700</u>	<u>(346,700)</u>
Total Expenditures	<u>1,892,500</u>	<u>1,892,500</u>	<u>1,094,713</u>	<u>797,787</u>
Excess Revenues Over Expenditures	<u>-</u>	<u>-</u>	140,558	<u>140,558</u>
Fund Balance - Beginning			<u>631,936</u>	
Fund Balance - Ending			<u>772,494</u>	

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is used to assist in formatting for easier reading)

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Board Members
San Juan Transportation Special Service District
Monticello, Utah 84535

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of San Juan Transportation Special Service District as and for the year ended December 31, 2006, which collectively comprise San Juan Transportation Special Service District's basic financial statements and have issued our report thereon dated August 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Juan Transportation Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Juan Transportation Special Service District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of San Juan Transportation Special Service District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects San Juan Transportation Special Service District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of San Juan Transportation Special Service District's financial statements that is more than inconsequential will not be prevented or detected by San Juan Transportation Special Service District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by San Juan Transportation Special Service District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Honorable Board Members
San Juan Transportation Special Service District
Page -2-

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Juan Transportation Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of San Juan Transportation Special Service District in a separate letter dated August 5, 2007.

This report is intended solely for the information and use of management and Board members and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 5, 2007
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

The Honorable Board Members
San Juan Transportation Special Service District
Monticello, Utah 84535

We have audited the accompanying financial statements of the governmental activities of San Juan Transportation Special Service District, a component unit of San Juan County, for the year ended December 31, 2006, and have issued our report thereon dated August 5, 2007. As part of our audit, we have audited San Juan Transportation Special Service District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major State assistance program from the State of Utah:

Mineral Lease (Department of Transportation)

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements


The management of San Juan Transportation Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

The Honorable Board Members
San Juan Transportation Special Service District
Page -2-

In our opinion, San Juan Transportation Special Service District, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the year ended December 31, 2006.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

August 5, 2007
Richfield, Utah

SAN JUAN TRANSPORTATION SPECIAL SERVICE DISTRICT

MANAGEMENT LETTER

DECEMBER 31, 2006

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

August 5, 2007

The Honorable Board Members
San Juan Transportation Special Service District
Monticello, Utah 84535

During our audit of the funds of San Juan Transportation Special Service District for the year ended December 31, 2007, we noted an area needing corrective action in order for the District to be in compliance with state laws and regulations. This item is discussed below for your consideration.

COMPLIANCE:

Fund Balance Limitations

Districts are permitted to accumulate earnings or fund balances, as appropriate, in any fund. With respect to the General Fund only, any accumulated fund balance is restricted to 25% of the total General Fund's revenues if the annual General Fund budget is greater than \$100,000.

Finding:

The District has a fund balance in the General Fund in excess of the limit allowed by law. The total fund balance allowed is \$308,818 and the present fund balance is \$772,494.

Recommendation:

We recommend that the District budget the excess fund balance in the next year's budget or transfer the excess balance to the Capital Project Fund for planned capital projects.

Response:

We have reviewed the finding with management and management agrees with the recommendation.

We would like to thank San Juan Transportation Special Service District's personnel for the cooperation and assistance given to us during the course of our examination.

Respectfully submitted,



KIMBALL & ROBERTS
Certified Public Accountants

RGR/vl